

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 IGA-01 SP-02 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

AGR-05 ABF-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

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P R 201805Z FEB 75

FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC PRIORITY 9301

INFO AMEMBASSY SANTO DOMINGO

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E. O. 11652: N/A

TAGS: EAID, EAGR, HA

SUBJECT: PL 480 TITLE I

REF: PAUP 0389

1. EMBASSY HAS JUST RECEIVED MEMORANDUM FROM SECRETARY OF COMMERCE AND INDUSTRY WHICH AMPLIFIES SOMEWHAT INFORMATION PROVIDED REFTEL. TRANSLATION FOLLOWS:

2. "FOR THE PERIOD 1974-1975, THE HAITIAN ECONOMY WAS FORCED TO DOUBLE ITS FINANCIAL AND SOCIAL EFFORTS TO ASSURE THE SUPPLY OF WHEAT FOR THE NATIONAL MARKET.

3. "FINANCIAL EFFORT. THE SIGNIFICANT AND RAPID USE IN PRICE OF WHEAT FORCED THE NATIONAL BANK TO SACRIFICE A LARGE QUANTITY OF ITS FOREIGN EXCHANGE RESERVES. THUS, FOREIGN CURRENCY WHICH WOULD HAVE BEEN VERY VALUABLE FOR THE PURCHASE OF CAPITAL GOODS FOR THE COUNTRY AND FOR FINANCING OF ITS DEVELOPMENT HAD TO BE DEVOTED TO THE PURCHASE OF WHEAT. DESPITE CERTAIN CREDIT FACILITIES

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WHICH ARE TODAY PRACTICALLY EXHAUSTED, THE MINOTERIE D'HAITI

(GOVERNMENT-OWNED FLOUR MILL) HAS BEEN FORCED TO UNDERTAKE VERY HEAVY DEBTS AND TO PAY HIGH RATES OF INTEREST ON WHEAT PURCHASED ABROAD.

4. "SOCIAL EFFORT: THE COST OF WHEAT HAS BEEN THEREFORE ACCOMPANIED BY HEAVY FINANCIAL CHARGES, NECESSITATING DURING THE LAST 15 MONTHS A SIGNIFICANT INCREASE IN THE SALES PRICE OF FLOUR. THESE REPEATED INCREASES, LARGELY BASED ON THE RISE OF WHEAT PRICES, HAVE PENALIZED HAITIAN CONSUMERS, ESPECIALLY THE MOST DEPRESSED SOCIO-ECONOMIC CLASSES.

5. "FOR THE PERIODS 1975-76 AND 1976-77, THE CONSUMPTION OF FLOUR AND THUS OUR IMPORTS OF WHEAT WILL BE GREATER THAN CONSUMPTION DURING 1974-75 (JUNE 1 - MAY 31). THIS DIFFERENCE CAN BE EASILY UNDERSTOOD IN THE LIGHT OF THE FOLLOWING POINTS:

(A) CLIMATIC FACTORS: THE YEAR 1974-75 WAS MARKED BY EXCEPTIONAL LY GOOD CLIMATIC CONDITIONS THAT PERMITTED AN EXCELLENT HARVEST OF CERTAIN FRUITS. THESE PRODUCTS (PARTICULARLY MANGOES) WERE LARGELY SUBSTITUTED FOR BREAD BY CONSUMERS IN RURAL AND OUTLYING URBAN AREAS. IT IS CERTAIN THAT FOR 1975-76, THE AGRICULTURAL SITUATION WILL NOT PERMIT THE CONTINUATION OF THIS SUBSTITUTION PROCESS. ON THE CONTRARY, A SMALLER HARVEST IS EXPECTED IN THE FRUIT AND VEGETABLE SECTOR. THIS WILL RESULT QUITE NATURALLY IN AN IMPRESSIVE UPTURN IN THE DEMAND FOR BREAD, AND THUS AN EXPANSION OF OUR WHEAT PURCHASES ABROAD. THIS IS ALL THE MORE INEVITABLE SINCE POWERFUL ECONOMIC FORCES ARE ACTING IN THE SAME DIRECTION.

(B) ECONOMIC FACTORS: CONSTRUCTION ON THE NORTH AND SOUTH ROADS BEGAN SEVERAL WEEKS AGO. THESE ARE THE PRINCIPAL TRANSPORTATION AREAS OF THE HAITIAN TERRITORY. IN SEVERAL WEEKS WORK ON THE PORT-AU-PRINCE/JACMEL ROAD WILL BEGIN. THESE INFRASTRUCTURE PROJECTS, OF AN UNPREDEDENTED DIMENSION IN HAITI, WILL UNLEASH NEW SOURCES OF REVENUE FOR THE LOWER SOCIO-ECONOMIC GROUPS WHICH HAVE A VERY STRONG PROPENSITY TO CONSUME. MOREOVER, IT SHOULD BE NOTED THAT AT THE LEVEL OF MANUAL AND OTHER UNSKILLED WORKERS, CONSIDERING THE DOMINATING DRIVE FOR THE SATISFACTION OF BASIC NEEDS, NEW AVENUES WILL, DIRECTLY AND INDIRECTLY THROUGH THE MULTIPLIER EFFECT, SWELL THE DEMAND FOR FOOD PRODUCTS AND ESPECIALLY BREAD.

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6. "THE STRONG DEMAND FOR BREAD WILL RESULT IN A SIGNIFICANT AND RAPID INCREASE IN OUR PURCHASES OF WHEAT AT A MOMENT WHEN HAITIAN FOREIGN EXCHANGE RESERVES ARE SEVERELY AFFECTED BY THE FOLLOWING FACTORS:

(A) VERY POOR TOURIST SEASON (SIGNIFICANT DECREASE IN THE NUMBER OF TOURISTS VISITING HAITI);

(B) DECREASE IN THE PRICES OF COFFEE, SISAL, AND MEAT;

IN SHORT, THE PRINCIPAL EXPORT PRODUCTS OF HAITI, RESULTING IN  
A CATASTROPHIC DECREASE IN OUR EXPORT RECEIPTS;

(C) ACCELERATION OF INFLATION IN THOSE INDUSTRIALIZED  
COUNTRIES SUPPLYING THE MANUFACTURED PRODUCTS THAT ARE AS  
INDISPENSABLE TO CONSUMPTION AS TO THE INCREASE IN THE COUNTRY'S  
CAPITAL GOODS.

7. "FOR THESE REASONS IT IS BECOMING MORE PRESSING EVERY  
DAY THAT FOOD AID IN THE FORM OF WHEAT UNDER THE PL 480 PROGRAM  
BE ACCORDED TO HAITI."  
ISHAM

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